

NEW FOR 1998

EXTENSION OF TIME TO FILE

Taxpayers now have an automatic six-month extension of time for filing income tax returns. To avoid paying a 2% per month penalty, you must pay by the original due date of your return at least 80% of the total tax due for your 1998 return or 100% of the tax reported on the previous year's tax return. Interest will continue to apply on any amount not paid by the due date.

CREDIT FOR CONTRIBUTIONS TO EDUCATIONAL ENTITIES EXPANDED

Donations made on or after March 17, 1998, to the Idaho State Library will qualify for the credit for contributions to educational entities.

CREDIT FOR CONTRIBUTIONS TO YOUTH AND REHABILITATION FACILITIES EXPANDED

Donations made on or after July 1, 1998, to an Idaho center for independent living will qualify for the credit for contributions to youth and rehabilitation facilities. A center for independent living is a private, nonprofit, nonresidential organization run by individuals with disabilities to provide independent living services and programs. Donations to foundations of youth and rehabilitation facilities will also qualify for the credit.

Donations made on or after January 1, 1998, to the Children's Home Society of Idaho will qualify for the credit.

GENERAL INFORMATION

WHO MUST FILE FORM 66

A fiduciary (guardian, trustee, executor, administrator, receiver, conservator, or any person acting in a position of trust or fiduciary capacity for any other person or group of persons) must file an Idaho income tax return on Form 66 for:

- A resident estate with gross income (as defined in Section 61(a) of the Internal Revenue Code) of \$600 or more for the current tax year;
- A nonresident estate with gross income (as defined in Section 61(a) of the Internal Revenue Code) from Idaho sources of \$600 or more for the current tax year;
- A resident trust with gross income (as defined in Section 61(a) of the Internal Revenue Code) of \$100 or more for the current tax year;
- A nonresident trust with gross income (as defined in Section 61(a) of the Internal Revenue Code) from Idaho sources of \$100 or more for the current tax year; or
- An estate of a resident individual involved in bankruptcy proceedings under chapter 7 or 11 of Title 11 of the U.S. Bankruptcy Code with gross income (as defined in Section 61(a) of the Internal Revenue Code) of \$3,300 or more.

RESIDENCY OF ESTATES

An estate is treated as a resident estate if the decedent was domiciled in Idaho on the date of his death. If the estate is other than an estate of a decedent, it is treated as a resident estate if the person for whom the estate was created is a resident of Idaho. If the estate does not qualify as a resident estate, it is treated as a nonresident estate.

A nonresident estate reports income earned from Idaho sources in the same manner as though the taxpayer was a nonresident individual.

RESIDENCY OF TRUSTS

A trust is treated as a resident if three or more of the following occur in Idaho:

- Domicile or residency of the grantor;
- Creation of the trust;
- Existence of trust property;
- Domicile or residency of the trustees; or
- Administration of the trust. Administration of the trust includes conducting trust business, investing assets, making policy decisions, record-keeping, or filing of tax returns.

If the trust does not qualify as a resident trust, it is treated as a nonresident trust.

A nonresident trust with income earned from Idaho sources must report such income to Idaho in the same manner as though the taxpayer was a nonresident individual. No distinction is made between living trusts (created by the grantor and funded during his lifetime) and testamentary trusts (becoming operative upon the death of the grantor).

OTHER RETURNS WHICH MAY BE REQUIRED

An Idaho individual income tax return, Form 40 or Form 43, may be required for the last tax year of a decedent or for a beneficiary of a guardianship trust or estate. Refer to the Idaho Individual Income Tax booklet for filing requirements.

HOW TO FILE

A complete copy of the federal income tax return must be attached to the Idaho income tax return. All Schedules K-1 must be attached to the return or submitted with the return on microfiche. Failure to attach a complete copy of the federal return may cause the return to be delinquent.

The return must be signed by the fiduciary or officer representing the fiduciary.

Round the amounts on the return to the nearest whole dollar.

WHERE TO FILE

Mail the return and payment to:

IDAHO STATE TAX COMMISSION
PO BOX 56
BOISE ID 83756-0056

DUE DATE OF RETURN

Your return is due on or before the 15th day of the fourth month following the close of your tax year. For a calendar year filer, this is April 15. If the last day for filing a return falls on a Saturday, Sunday or legal holiday, the return is timely if it is filed on the next work day.

EXTENSION OF TIME TO FILE

If you cannot file your return by the due date, Idaho allows you an automatic six-month extension of time to file. To avoid paying a penalty, the amount of tax payments you have made must be at least 80% of the tax due or 100% of the total tax reported last year. Use Form 41ES to make your payments. Even though an extension gives you more time to file, the tax is due on the original due date of the return. When you file your income tax return, the extension period expires and any remaining tax due must be paid. You must pay interest on any tax due.

GENERAL INFORMATION

Failure to pay the required amount by the original due date will result in one of the following penalties:

- a 2% per month penalty if the return is filed and the remaining taxes are paid on or before the extended due date, or
- a 5% per month penalty if either the tax return is not filed or the remaining taxes are not paid by the extended due date.

ELECTRONIC FUNDS TRANSFERS

Tax payments of \$100,000 or more must be paid by electronic funds transfer. If you are making an electronic funds transfer for the first time, contact the Tax Commission at (208) 334-7515 for further information.

PAYMENTS

Make your check or money order payable to the Idaho State Tax Commission and attach it to the tax return.

PERMANENT BUILDING FUND TAX

An estate or trust required to file an Idaho income tax return must pay the \$10 permanent building fund tax. If all the income has been distributed to beneficiaries who will report the income and pay the permanent building fund tax, the estate or trust reporting the distribution does not pay this tax.

A fiduciary is required to pay the permanent building fund tax for each nonresident beneficiary who has Idaho gross income of more than \$2,500 but does not report his distributable income on an Idaho income tax return.

PENALTIES AND INTEREST

Penalties may be imposed on the tax due as follows:

- 5% for negligence or disregard of rules
- 5% per month or fraction of a month to a maximum of 25% for failure to pay the tax due
- 50% for filing a false or fraudulent return
- 10% for substantial understatement of tax

The minimum penalty is \$10.

Interest applies on delinquent tax from the due date of the return until the tax is paid at the rate of 7% per year (rate effective 1-1-99 to 12-31-99).

TAX PREPARER CONTACT BOX

A tax preparer contact box is located directly above the signature box. This box applies only if you paid a tax preparer to complete your return. If you check the box, you are authorizing the Tax Commission to contact your preparer to resolve any questions related to your return.

This authorization is valid for up to 120 days from the date the Tax Commission receives the return. If you want the Tax Commission to contact you rather than your preparer, leave the box blank.

PERIOD/TAX YEAR COVERED BY RETURN

Use the 1998 form to file your tax return for calendar year 1998 or the fiscal year beginning in 1998.

ACCOUNTING PERIOD

You must use the same accounting period as that used for federal tax purposes. A change to the annual accounting period must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval on Form 1128, Application to Adopt, Change, or Retain a Tax Year, to your return.

ACCOUNTING METHODS

You must use the same accounting method as that used for federal tax purposes. A change of accounting method must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval on Form 3115, Application for Change in Accounting Method, to your return.

AMENDED RETURNS

If you discover an error on your return after it is filed, do not file the same form again. Use a Form 41X, Amended Business Income Tax Return, to make the necessary corrections. If you amend your federal return, an amended Idaho income tax return must be filed. The statute of limitations for receiving a refund is three years from the due date of the return or the date the return was filed, whichever is later.

FEDERAL AUDIT

If your federal taxable income or tax credits change because of a federal audit, you must send written notice to the Tax Commission within 60 days of the final federal determination. You must include copies of all schedules supplied by the Internal Revenue Service. If you owe additional Idaho tax and do not send written notice within 60 days, a 5% negligence penalty will be imposed. Interest applies on any tax due. If the final federal determination results in an Idaho refund and the statute of limitations is closed, you have one year from the date of the final determination to file for the refund.

NET OPERATING LOSSES

A fiduciary incurs an Idaho net operating loss in a year when its Idaho taxable income is less than zero. Net operating losses incurred in activities not taxable by Idaho may not be subtracted.

The net operating loss generally must be carried back to the three preceding years. The carryback is limited to a maximum of \$100,000. Any remaining loss may be carried forward until used, but no longer than 15 years.

The fiduciary can elect to forego the carryback provisions and carry the loss forward up to 15 years. This election must be made before the due date, including extensions, of the loss year return. To make the election, attach a statement to the loss year return identifying the fiduciary's name, address, employer identification number, the amount of the net operating loss, and a statement that the fiduciary is electing to forego the carryback provision.

FORM 66 SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form.
General information instructions beginning on page 1 also apply to this form.

HEADING

File the 1998 return for calendar year 1998 or a fiscal year that begins in 1998. For a fiscal year, fill in the tax year space at the top of the form.

If you received a preaddressed label that is in error, correct the label and place it over the name and address area of the return. If you did not receive a preaddressed label, type or print the estate/trust name, fiduciary name and title, address, and federal employer identification number in the space provided.

LINE 3 DIVIDENDS AND INTEREST INCOME

Enter dividends and interest. Identify by source and amount on Schedule 1, page 2.

LINE 8 ORDINARY GAIN OR (LOSS)

From federal Form 4797 enter the gain or (loss) from the sale or exchange of property other than capital assets and involuntary conversions. Attach federal Form 4797.

LINE 9 OTHER INCOME

Enter other income not reported elsewhere. Identify by source and amount on Schedule 1, page 2.

LINE 11 INTEREST

Enter any deductible interest paid or accrued that is not deducted elsewhere.

LINE 12 TAXES

Enter any deductible taxes paid or accrued that are not deducted elsewhere. Any state income taxes included on this line and not distributed will be added back on line 19.

LINE 13 ADMINISTRATIVE COSTS

Enter administrative costs, including fiduciary fees, deductible in arriving at federal adjusted income.

LINE 18 INTEREST AND DIVIDENDS NOT TAXABLE UNDER FEDERAL CODE

Enter the interest and dividends net of applicable amortization received or accrued from obligations of any other state or political subdivision excluded from federal taxable income under the provisions of the Internal Revenue Code. Attach a schedule.

LINE 19 STATE INCOME TAXES

Enter the amount of state income taxes deducted on line 12 which are not distributed. The fiduciary must provide the beneficiary with the necessary information if a portion of the state income tax deduction was distributed and not included on this line.

LINE 21 INCOME EXEMPT FROM IDAHO TAX

Enter the amount of interest income received from obligations of the U.S. Government (U.S. Savings Bonds, etc.) not distributed. Expenses related to the production of this income will reduce the amount you enter here. In addition, this amount should be adjusted to reflect the estate tax deduction on line 24 attributed to income exempt from Idaho tax. The fiduciary must provide the beneficiary with the necessary information if a portion of this adjustment was distributed. Attach a schedule showing your computations.

LINE 23 INCOME DISTRIBUTION DEDUCTION

Enter the amount of the deduction for distributions to beneficiaries who file Idaho returns. Trusts and estates are subject to tax on payments or distributions to nonresident beneficiaries who are required to file Idaho returns but fail to report or fail to pay tax on such income to Idaho. You may also deduct the amounts distributed to beneficiaries who have insufficient gross income to meet the Idaho filing requirements.

LINE 24 ESTATE TAX DEDUCTION

Enter the deduction for federal estate tax attributable to income in respect of a decedent. If the income in question has been distributed, only the fiduciary's pro rata share may be deducted. Refer to the instructions, federal Form 1041. If any or all of the estate tax is attributed to income which is exempt from Idaho tax, a special Idaho adjustment must be made to add back a pro rata share of the deduction. Attach a schedule showing the computation.

EXEMPTION: If all income is reported to Idaho, skip lines 26 through 29 and enter 100% of the federal exemption on line 30. If only part of the income is reported to Idaho, complete lines 26 through 29. Multiply the exemption on line 27 by the percentage on line 29. Subtract line 30 from line 25 to determine net Idaho taxable income on line 31.

LINE 26 FEDERAL TAXABLE INCOME

Make the adjustments listed on lines 18 through 21 to federal taxable income. These Idaho adjustments must be made to compute the proper percentage.

LINE 27 FEDERAL EXEMPTION

Enter the same exemption amount you used on your federal return. A decedent's estate is allowed a \$600 exemption. A trust required to distribute all its income in the current year is allowed a \$300 exemption. All other trusts are allowed a \$100 exemption.

TAX CREDITS

Tax credits must be computed according to the following instructions and the instructions accompanying the appropriate forms. Credits pass through to beneficiaries in the same manner that income and expenses are distributed.

The limitations on the various credits are computed based on the fiduciary's share of the credit only. The beneficiary's limitation of the various credits is computed on the beneficiary's return based on his share of the credit and his tax liability.

LINE 35 CREDIT FOR CONTRIBUTIONS TO EDUCATIONAL ENTITIES

If the estate or trust donated cash or goods to a qualified educational entity, it may claim a tax credit. The credit is limited to the smallest of:

- one-half of the amount donated,
- 20% of the tax on line 33, or
- \$50

A qualified educational entity includes:

- a nonprofit corporation, fund, foundation, trust, or association organized and operated exclusively for the benefit of Idaho colleges and universities
- a nonprofit, private or public Idaho school (elementary, secondary or higher education) or its foundation
- Idaho education public broadcast system foundations
- the Idaho State Historical Society or its foundation
- an Idaho public library or its foundation
- an Idaho library district or its foundation
- an Idaho public or private nonprofit museum
- the Idaho State Library

LINE 36 IDAHO INVESTMENT TAX CREDIT

If you acquire an asset for use in your business, you may have earned an investment tax credit.

The Idaho investment tax credit earned by an estate or trust passes through to each beneficiary in the same ratio that in-

FORM 66

come is allocated to that beneficiary. When an estate or trust has a fiscal year end other than that of the beneficiaries, the investment tax credit passes through in the same tax period that the income or loss from the estate or trust is required to be reported by the beneficiary for federal tax purposes.

The fiduciary must prepare and distribute to each beneficiary a schedule showing all Idaho income, deductions and tax credits that must be reported on the beneficiaries' individual Idaho income tax returns. Each beneficiary will use this information to determine the amount of Idaho investment tax credit, recapture of credit, and adjustments to the credit carryover to be reported on his Idaho income tax return. Copies of these schedules and Form 49 must be attached to the Idaho Fiduciary Income Tax Return for the year in which the investment tax credit is earned.

Use Form 49 to compute the current year's credit or to claim unused carryovers. Attach Form 49.

LINE 37 CREDIT FOR CONTRIBUTIONS TO YOUTH AND REHABILITATION FACILITIES

If the estate or trust donated cash or goods to a qualified center for independent living, or to a youth or rehabilitation facility or their foundations, it may claim a tax credit. The credit is limited to the smallest of:

- one-half of the amount donated,
- 20% of the tax on line 33, or
- \$100

The qualified youth or rehabilitation facilities and their foundations are:

- Anchor House
- The Arc, Inc., Boise
- The Children's Home Society of Idaho, Inc., Boise
- Dawn Enterprises, Inc., Blackfoot
- Development Workshop, Inc., Idaho Falls
- High Reachers, Inc., Mountain Home
- Idaho Elks Rehabilitation Hospital, Inc., Boise
- Idaho Youth Ranch
- Magic Valley Rehabilitation Services, Inc., Twin Falls
- New Day Products, Inc., Pocatello
- Northwest (North Idaho) Children's Home
- Opportunities Unlimited, Inc., Lewiston
- Panhandle Special Needs, Inc., Sandpoint
- Transitional Employment Services for the Handicapped, Coeur d'Alene
- Western Idaho Training Co., Inc., Caldwell
- Winchester Occupational Workshop, Winchester

The following are the qualified centers for independent living:

- Disability Action Center Northwest, Moscow and Coeur d'Alene
- Living Independence Network Corporation, Boise and Twin Falls
- Living Independently For Everyone, Blackfoot, Idaho Falls, and Pocatello

LINE 38 NEW JOBS TAX CREDIT CARRYOVER

If you have new jobs tax credit carryover from the previous year, you may be able to claim it. Complete and attach Idaho Form 55.

LINE 39 CREDIT FOR PRODUCTION EQUIPMENT USING POST-CONSUMER WASTE

If you purchased equipment that manufactures a product from post-consumer or post-industrial waste, you may be entitled to a tax credit. The credit is 20% of your cost to purchase qualified equipment.

Qualified equipment is machinery or equipment in Idaho with a useful life of three years or more. In addition, 90% of the equipment's production must result in products utilizing post-

consumer or post-industrial waste.

The credit claimed in a tax year is limited to the lesser of \$30,000 or your tax liability. You may carry forward the unused portion of the credit up to seven years.

Product is any manufactured material that is composed of at least 50% post-consumer or post-industrial waste and offered for sale. Product does not include shredded material unless it is incorporated directly into the manufacturing process.

Post-consumer waste or post-industrial waste includes only glass, paper, or plastic that have been, or would have been, disposed of as solid waste. It does not include radioactive or hazardous waste.

Attach a schedule showing your computations, listing the qualified equipment, identifying the post-consumer or post-industrial waste products, and identifying the newly manufactured products.

LINE 40 NATURAL RESOURCES CONSERVATION CREDIT

If you filed an Application for Natural Resources Conservation Income Tax Credit for Tax Year 1998, enter the amount approved on that application by the Natural Resources Conservation Income Tax Credit Committee. The maximum tax credit allowed cannot exceed \$2,000. You may not claim a credit if you did not file an application or if the credit you requested was not approved.

LINE 43 PERMANENT BUILDING FUND TAX

A trust or estate that meets the Idaho filing requirement and does not distribute all its income is required to pay the \$10 permanent building fund tax. A trust or estate is also required to pay the permanent building fund tax for each nonresident beneficiary who meets the Idaho filing requirement but does not report his distributive share of income on an Idaho income tax return. If all the income has been distributed to beneficiaries who file Idaho income tax returns, the trust or estate does not owe this tax.

LINE 44 SPECIAL FUELS TAX DUE

If you buy special fuels (diesel, propane, natural gas) without paying the special fuels tax and later use this fuel in licensed vehicles or in aircraft, special fuels tax is due. Enter the amount from line 11, Form 75. Attach Form 75.

LINE 45 RECAPTURE OF IDAHO INVESTMENT TAX CREDIT

If you have claimed an investment tax credit on property that ceases to qualify before the end of its estimated useful life, you must recompute the investment tax credit. The difference between the original credit and the recomputed credit must be recaptured. Attach Form 49R.

LINE 47 ESTIMATED TAX PAYMENTS

Enter the total amount of estimated tax payments.

LINE 48 IDAHO INCOME TAX WITHHELD

Enter the amount of Idaho income tax withheld and not repaid by an employer on wages and salaries of a decedent's estate. Attach state copies of W-2s.

LINE 49 SPECIAL FUELS TAX REFUND

The special fuels (diesel, propane, natural gas) tax refund is available to those who use the fuel for heating or in off-highway equipment and have paid the tax on the special fuels purchased. Enter the amount from line 5, Form 75. Attach Form 75.

LINE 50 GASOLINE TAX REFUND

The gasoline tax refund is available to those who buy and use gasoline in off-highway equipment or auxiliary engines. Enter the amount from line 4, Form 75. Attach Form 75.

FORM 66

LINE 53 PENALTY AND INTEREST

Penalty: If the trust or estate files a return after the due date, a penalty may be due.

If the trust or estate files a return and pays the tax due by the extended due date, the following apply:

- If the trust or estate paid by the original due date at least 80% of the tax due on the return or the amount of tax reported last year, the trust or estate is not subject to a penalty.
- If the trust or estate did not pay by the original due date at least 80% of the tax due on the return or the amount of tax reported last year, the trust or estate is subject to a 2% penalty for each month (or fraction of a month) from the original due date until the tax is paid.

If the trust or estate does not file a return by the extended due date or does not pay the amount of tax due, the trust or estate is subject to a 5% penalty for each month (or fraction of a month), up to a maximum of 25%. The minimum penalty is \$10. The penalty is computed as follows:

- From the original due date if the trust or estate did not pay by the original due date at least 80% of the tax due on the return or the amount of tax reported last year.
- From the extended due date if the trust or estate paid by the original due date at least 80% of the tax due on the return or the amount of tax reported last year.

Interest: Interest is charged on the tax, line 52, from the original due date until paid. The rate for 1999 is 7%.

SCHEDULE 1 EXPLANATION OF INCOME AND DEDUCTION

Provide explanations of income and deductions as required. Attach additional schedules if needed.

A deduction for technological equipment donated to an Idaho public school is not allowable in computing the fiduciary's taxable income. Any qualifying donations must pass through to the beneficiaries to be deducted on their individual income tax return.

SCHEDULE 2 COMPUTATION OF CREDIT FOR TAXES PAID ANOTHER STATE

When the same income is taxed by both Idaho and another state, use this schedule to compute the credit. You must attach a copy of the other state's tax return.

TAX COMPUTATION SCHEDULE

| IF AMOUNT ON LINE 32 IS | | ENTER ON LINE 33 |
|-------------------------|--------------|--|
| OVER | BUT NOT OVER | |
| -0- | \$ 1,000 | 2% of the amount on line 32 |
| \$ 1,000 | \$ 2,000 | \$20 plus 4% of excess over \$ 1,000 |
| \$ 2,000 | \$ 3,000 | \$60 plus 4.5% of excess over \$ 2,000 |
| \$ 3,000 | \$ 4,000 | \$105 plus 5.5% of excess over \$ 3,000 |
| \$ 4,000 | \$ 5,000 | \$160 plus 6.5% of excess over \$ 4,000 |
| \$ 5,000 | \$ 7,500 | \$225 plus 7.5% of excess over \$ 5,000 |
| \$ 7,500 | \$20,000 | \$412.50 plus 7.8% of excess over \$ 7,500 |
| \$20,000 | | \$1,387.50 plus 8.2% of excess over \$20,000 |

These instructions do not provide a comprehensive explanation of Idaho tax laws or rules. Costs associated with this publication are available from the Idaho State Tax Commission in accordance with Section 60-202, Idaho Code.